

# M e m o r a n d u m

To: Panel Members Date: January 26, 2007

From: Creighton Chan, Manager Analyst: T. Teles

Subject: One-Step Agreement for **MONTEREY MUSHROOMS, INC.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition Training In High Unemployment Areas Of California
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace Developed Jointly By Management And Workers
- Type of Industry: Agriculture
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 3,500
  - *In California:* 1,400
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: United Farm Workers of America, AFL-CIO

## **CONTRACT:**

- Program Costs: \$1,038,600
- Substantial Contribution: \$0
- Total ETP Funding: \$1,038,600
- Total In-kind Contribution: \$1,070,450
  - *Trainee Wages Paid During Training:* \$1,070,450
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara, Santa Cruz

## **INTRODUCTION:**

Monterey Mushrooms, Inc. (MMI) is a privately held company that was established in 1971 as a single farm operation near Watsonville, California. MMI is a producer of fresh mushrooms with 1,400 California workers at the Watsonville headquarters and at its four production facilities in California. MMI processes mushrooms for larger chain markets and discount markets and stores. The company is one of the few agricultural companies in the Watsonville area that employs its workers year round.

This is MMI's third ETP training project. The first project was developed to train employees from three farms but under performed because it did not have sufficient management commitment. The second project was developed for the Royal Oaks farm as a pilot project to initiate a formal training program called Collaborative Workforce Program (CWFP) which changed the culture of the company that relied on management for decision making and problem solving to a team based approach that empowered frontline workers to implement changes. CWFP is designed to train frontline workers in the skills necessary to assist the company in reducing costs, increasing efficiency, and ensuring product safety. Based on the success of the training at the Royal Oaks farm, MMI will begin the implementation the CWFP at the farms in Las Lomas and Morgan Hill and will continue the training at the Royal Oaks farm.

To meet customer demands, MMI expanded its product line of fresh mushroom products, introduced different customized packaging configurations, introduced a bagged mushroom product, developed a patented washing process for the ready to eat mushroom market, introduced a computer-based climate control for mushroom growing rooms, and plans to add bagging and refrigerating machines in the packing operations. All these changes will impact the employees at three farms and will require training in new processes and operating methods. In addition, MMI wants to develop team based approach to decision making for its frontline workers that will give employees the skills to problem solve and implement solutions and move the company into a high performance workplace. The training will ensure that MMI will meet and exceed customer expectations and demands by increasing efficiency, controlling product quality and consistency, and remaining competitive.

MMI is eligible for standard ETP funding as a manufacturing company facing out-of-state competition as specified under Title 22 California Code of Regulations, Section 4416(b). This training is supported by the local chapter of the United Farm Workers of America (UFW).

## **MEETING ETP GOALS AND OBJECTIVES:**

MMI proposes training that will further the following ETP goals and objectives:

- 1) To support joint labor union-employer training developed jointly by management and labor.
- 2) To promote the retention of manufacturing jobs within California for companies that face out-of-state competition.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	MENU:  Continuous Improvement  Manufacturing Skills	1,154	24 - 200	0	\$900	*\$13.51 - \$36.69 and **\$10.13 - \$36.69
Wages After 90-Day Retention						
<u>Occupation</u>  Royal Oaks and Las Lomas locations: Growing Staff Harvest Staff Packing Staff Maintenance Staff Foreperson Supervisor Manager  Morgan Hill location (HUA): Growing Staff Harvest Staff Packing Staff Maintenance Staff Foreperson Supervisor Manager						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>  * Health benefits of at least \$3.15 per hour may be applied to the base wage in order to meet the ETP minimum hourly wage of \$13.51 for Santa Clara and Santa Cruz Counties.  ** Morgan Hill Farm - Health benefits of at least \$2.17 per hour may be applied to the base wage in order to meet the ETP minimum hourly wage of \$10.13 for High Unemployment Area in Santa Clara County.					<u>Turnover Rate</u>  7.3%	<u>% Of Mgrs &amp; Supervisors To Be Trained:</u>  3%
<u>Other Employee Benefits:</u>  Represented employees: vacation, life insurance, pension plan, and paid holidays, sick pay. Non-Represented: vacation, sick leave, 401k plan, paid holidays, and tuition reimbursement.						

### **COMMENTS / ISSUES:**

#### **➤ *Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). The 35 managers and supervisors are considered frontline workers.

#### **➤ *Production During Training***

MMI agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

#### **➤ *High Unemployment Area Wage Waiver***

MMI is requesting a waiver of the standard ETP wage of \$13.51 to \$10.13 (including benefits) for employees of the Morgan Hill farm which is in a designated High Unemployment Area of Santa Clara County. The trainee post-retention wage increase will be based on the collective bargaining agreement.

### **RECOMMENDATION:**

Staff recommends that the Panel approve this agreement and the lower wage for the high unemployment area trainees because MMI an agricultural company that employs year-round workers a portion of whom are in a high unemployment area. Further, this project is supported by United Farm Workers of America.

### **NARRATIVE:**

MMI seeks funding to allow a level of training that will help it meet several industry challenges. For one thing, MMI faces out-of-state competition from growers that have lower operating costs because they are located in Canada, China, and in central and eastern United States. Also, the recent food safety scare in the spinach industry has had a significant impact on agriculture in California, with increasingly stringent food safety requirements for mushroom production.

To stay competitive, MMI is implementing a Collaborative Workforce Program (CWFP) that will change the culture of the company from linear decision making to a collaborative, team-based approach. The CWFP is designed to train frontline workers in skills necessary to assist the company in reducing costs, increasing efficiency, and ensuring product safety. These changes require the training of 1,154 trainees in continuous improvement and manufacturing skills.

**Continuous Improvement** - To implement the CWFP, MMI will train employees to work in teams with representatives from various areas of operation and occupations and these teams will work on projects that will identify and analyze problems and provide solutions. Employees will receive training in teambuilding, problem solving, leadership skills, conflict management and

**NARRATIVE:** (continued)

statistical process control tools. In addition, some of the staff will be trained as facilitators to guide the teams through the problem solving process. Training at the Royal Oaks farm will continue the process of working in teams at a more advanced skill level. The implementation of the CWFP that began at the Royal Oaks farm will be expanded by developing team facilitators to increase the autonomy of the teams and capacity to solve more complex problems.

**Manufacturing Skills** - Mushroom crop growing methods are highly mechanized and dependent of both skilled equipment operators and technicians and packaging methods are becoming more mechanized. To increase quality, efficiencies and reduce the chances of contamination, MMI must train employees in mushroom science and production. Employees will learn the biology of mushrooms (life cycle), chemistry (pH), and physics (relative humidity) that affect the mushroom production. Employees will also be trained in the different manufacturing processes to improve quality and efficiency.

***Commitment to Training***

The company reports that its annual expenses for training are estimated to be \$1,018,836 in on-the-job training, new employee training, worker safety, CAL-OSHA requirements, food safety, and other regulatory training. As evidence of the commitment training, MMI implemented lean manufacturing practices in all aspects of mushroom processing. After the ETP project is complete, the Collaborative Workforce Program will continue at all three farms which will require additional training as new teams and projects are initiated. Further, MMI may extend the CWFP to other farms once the success of the ETP project is evaluated and this will require additional training.

**SUBCONTRACTORS:**

Farmworker Institute for Educational and Leadership Development (FIELD), Bakersfield, California, for an amount to be determined, for the provision of a portion of classroom instruction.

inKNOWvate, Watsonville, California, for an amount to be determined, for administrative services and a portion of the classroom instruction. The cost of the administrative services will not exceed 13 percent of the payment earned.

**THIRD PARTY SERVICES:**

inKNOWvate assisted in the development of the ETP application at a flat fee of \$5,000.

### **PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

<b>PRIOR PROJECTS</b>						
<b>Agreement Number</b>	<b>Location (City)</b>	<b>Term</b>	<b>Contract Amount</b>	<b>Amount Earned</b>	<b><i>Planned</i> In-kind Contribution</b>	<b><i>Reported</i> In-kind Contribution</b>
ET02-0334	Royal Oaks	05/06/02 - 05/05/04	\$184,080	* \$48,360	\$174,359	\$47,616

\* The Contractor reported that MMI underperformed because the number of trainees that could be trained during the term was overestimated and managers were not fully involved in developing the project and, therefore, did not have additional staff to maintain production schedules.

### **ACTIVE PROJECTS:**

The following are current project statistics:

<b>ACTIVE PROJECTS</b>						
<b>Agreement Number</b>	<b>Agreement Amount</b>	<b>Term</b>	<b>Planned Number To Be Retained</b>	<b>Number Enrolled</b>	<b>Number Completed Training</b>	<b>Number Retained For 90 Days</b>
ET05-0171	\$242,424	04/19/05 - 04/18/07	259	728	511	511

The Contractor's representative reports that MMI expects to invoice for 95 to 100 percent of the funds allocated. This is supported by ETP's on-line tracking which shows that the contractor has a total of 19,999 hours of training for trainees that completed at least the 24 hours minimum. If all trainees complete the retention period, the Contractor would be eligible to invoice for 100 percent of the Agreement amount.

**MONTEREY MUSHROOMS, INC.**

MENU CURRICULUM

Class/Lab Hours

24 – 200

Trainees will receive any of the following:

**Continuous Improvement:**

- Teambuilding
- Problem Solving
- Decision Making
- Leadership skills for frontline workers
- Statistical Process Control (SPC)
- Math Skills for Statistical Process Control
- Process Improvement
- Conflict Management
- Interpersonal Skills
- Train the Trainer

**Manufacturing Skills:**

- Basic Mushroom Science
- Mushroom Production

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
---

**UNITED FARM WORKERS of AMERICA**

P.O. Box 2515 • 519 Main Street • Watsonville, California 95076

Telephone: (831) 763-4820 • Fax: (831) 728-4590

Website: [www.ufw.org](http://www.ufw.org)

October 27, 2006

Dear ETP Board:

The UFW and Monterey Mushrooms are very interested in developing our members in order to keep up with the constant challenges that we are facing in the work place.

So far, it has been a very positive experience to use some of the ETP funding in making the worker development possible.

Once again, the UFW is in full support of future training by Monterey Mushrooms. And once again to insure the ongoing effectiveness of this training program, we would like the following points codified as part of the ETP Preliminary Agreement and the Final Agreement.

1. The trainings will be provided by the Farmworker Institute for Education and Leadership Development (FIELD).
2. That UFW-Monterey Mushrooms will participate substantively in the development and monitoring of any training provided to union members – including the development of training curricula and selection of the trainers.
3. In order to allow for uniformed participation and support before the Panel, the ETP Development Analyst will provide the UFW a copy of the ETP proposed agreement well in advanced of the date it is to be presented to the Panel for approval.
4. Periodic monitoring of the union's ongoing satisfaction with the training will be built into the ETP Monitoring Analyst's regular monitoring schedule. This monitoring will include not only the normal interviews with trainees but also with the elected union leadership.

Finally, we thank the Panel for its generous consideration of the commitment of public funds for this training.

Sincerely,

Efren Barajas  
Vice-President

Cc: file

**¡Con Unión Se Vive Mejor! •***Founded by César E. Chávez (1927-1993)*